House Bill 921

By: Representatives Houston of the 170th, Shaw of the 176th, Powell of the 171st, Watson of the 172nd, Nimmer of the 178th, and others

A BILL TO BE ENTITLED

AN ACT

To amend Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the imposition, rate, computation, and exemptions from state income taxation, so as to provide tax credit incentives to promote the revitalization of vacant rural Georgia downtowns by encouraging investment, job creation, and economic growth in long-established business districts; to provide for definitions; to delineate procedures, conditions, eligibility, and limitations; to provide for powers, duties, and authority of the commissioner of community affairs, the commissioner of economic development, and the revenue commissioner; to provide for related matters; to provide for an effective date and automatic repeal; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Article 2 of Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to the imposition, rate, computation, and exemptions from state income taxation, is amended by adding a new Code section to read as follows:

"48-7-40.31.

(a) As used in this Code section, the term:

(1) 'Certified entity' means any eligible business which establishes a new location within a revitalization zone on or after January 1, 2017, or any existing eligible business located within a revitalization zone that expands its operations, and which:

(A) Has created at least two new jobs in a taxable year; and

(B) Has been certified by the commissioner of community affairs as eligible to receive the revitalization zone tax credit based on established criteria in this Code section and promulgated in regulations by the commissioner of community affairs. Such certification shall be attached to the income tax return when the credit is claimed.

(2) 'Certified investor' means an active investor or investors who:

(A) Acquire and develop real estate within a designated revitalization zone; and

(B) Have been certified by the commissioner of community affairs as eligible to receive the revitalization zone tax credit based on established criteria in this Code section and promulgated in regulations by the commissioner of community affairs. Such certification shall be attached to the income tax return when the credit is claimed.

(3) 'Eligible business' means any establishment that is primarily engaged in providing professional services or in retailing merchandise and rendering services incidental to the sale of merchandise and included in NAICS Sector 44-45.

(4) 'Full-time equivalent' means an aggregate of employee hours worked totaling 40 hours per week, the equivalent of one full-time job.

(5) 'Local government' means a county, municipality, or consolidated local government created pursuant to Article IX, Sections I, II, or III of the Constitution; applicable general state statutes; a local Act of the General Assembly; or such other method as was valid at the time of its creation.

(6) 'Qualified rehabilitation expenditure' means labor and material costs associated with the rehabilitation of a certified investor property which:

(A) Comply with the state minimum standard codes and any applicable local codes; and

(B) Have been certified by the commissioner of community affairs as eligible to receive the revitalization zone tax credit based on established criteria in this Code section and promulgated in regulations by the commissioner of community affairs. Such certification shall be attached to the income tax return when the credit is claimed.

(7) 'Revitalization zone' means a specified geographic region that meets all criteria provided by this Code section and has been designated by the commissioner of community affairs and the commissioner of economic development to be in need of economic revitalization.

(b) The commissioner of community affairs and the commissioner of economic development are authorized to designate a specified area as a revitalization zone, enabling new and established businesses and new business investments in the zone to qualify for revitalization zone income tax credits. Local governments that meet three or more of the following characteristics and have a population of fewer than 15,000 residents are eligible to apply for revitalization zone status:

(1) A concentration of historic commercial structures at least 50 years old within the targeted area;

(2) A 20 percent vacancy rate or documentation of an immediate threat to the targeted area;

(3) A feasibility study or market analysis identifying the business activities which can be supported in the targeted area and a plan for attracting or retaining such business activities;

(4) A master plan or strategic plan designed to assist private and public investment; or

(5) Commitments for private or public funding from banks, downtown development authorities, local businesses, or other eligible applicants to support development activities in the targeted area.

(c) Certified entities shall receive a revitalization zone income tax credit for five years beginning with the first taxable year in which new full-time equivalent jobs are created in the revitalization zone and for the four taxable years immediately following, provided the new full-time equivalent jobs are maintained.

(1) Each new full-time equivalent job created will be eligible for a $2,000.00 annual income tax credit. The amount of credit claimed by each certified entity shall not exceed $25,000.00 per taxable year.

(2) The number of new full-time equivalent jobs shall be determined by comparing the monthly average of full-time equivalent jobs subject to Georgia income tax withholding for a given taxable year with the corresponding period of the prior taxable year; provided, however, a certified entity which begins operations during the taxable year may be certified by the commissioner of community affairs to base initial eligibility on a period of less than 12 months.

(3) This income tax credit shall not be allowed during a year if the net employment falls below the number required by subparagraph (a)(1)(A) of this Code section.

(4) Any credit generated and utilized in years prior to the year in which net employment falls below the number required by subparagraph (a)(1)(A) of this Code section shall not be affected.

(d) Certified investors who acquire and develop property in the revitalization zone on or after January 1, 2017, shall receive a revitalization zone income tax credit, subject to the following:

(1) Active investors shall demonstrate a property's ongoing commercial benefit as follows:

(A) An eligible business is located in the investment property and qualifies to receive the tax credit pursuant to subsection (c) of this Code section; or

(B) An eligible business is located in the investment property and maintains a minimum of three full-time equivalent jobs for each year the tax credit is claimed.

(2) The amount of the tax credit per project shall be 50 percent of the purchase price and shall not exceed $250,000.00; provided, however, the entire credit shall not be taken in the year in which the property is placed in commercial service but shall be prorated

equally in five installments over five taxable years, beginning with the taxable year in which the property is placed in service.

(3) A certified investor shall be allowed to preserve the revitalization zone tax credit for up to seven years from the date of initial eligibility in the event the commercial requirement in paragraph (1) of this subsection is not satisfied in consecutive years.

(e) Qualified rehabilitation expenditures on or after January 1, 2017, shall receive an income tax credit for five years beginning with the year the property is placed in service. The amount of the tax credit per project shall be 75 percent of the qualified rehabilitation expenditures and shall not exceed $75,000.00; provided, however, the entire credit shall not be taken in the year in which the property is placed in commercial service but shall be prorated equally in five installments over five taxable years, beginning with the taxable year in which the property is placed in service.

(f) A taxpayer who is entitled to and takes credits provided by this Code section for a project shall not be allowed to utilize the same qualified rehabilitation expenditures to generate any additional state income tax credits. Jobs created by, arising from, or connected in any way with the same project are not eligible to be used toward other job related tax credits.

(g) In no event shall the amount of the tax credits allowed by this Code section for a taxable year exceed a certified entity's or certified investor's state income tax liability. Any credit claimed under this Code section by a certified entity but not used in any taxable year may be carried forward for five years from the close of the taxable year in which the credit is claimed. No such credit shall be allowed the taxpayer against prior years' tax liability.

(h) Any tax credits earned under this Code section are nontransferable.

(i) A certified entity shall report to the revenue commissioner the qualifying net job increases or decreases each year. A certified investor shall report to the revenue commissioner the investment amount in the initial qualifying year. The revenue commissioner and the commissioner of community affairs shall have the authority to require reports and promulgate regulations as needed in order to perform their duties under this Code section.

(j) This Code section shall stand automatically repealed on December 31, 2026, unless reauthorized by the General Assembly prior to such date.″

SECTION 2.

This Act shall become effective upon its approval by the Governor or upon its becoming law without such approval.

SECTION 3.

All laws and parts of laws in conflict with this Act are repealed.